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Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Diamond

City Sales Tax and Lease	The city no longer allocates a portion of sales tax revenue to parks and recreation as originally outlined in the city ordinance at the time the issue was approved by voters. The city's attorney entered into a \$11,173 tax exempt lease arrangement in the city's name to finance a copy machine for his private law office. There is no documentation indicating the Board approved this lease, and city officials indicated they did not know of the lease until they received a notice from the Internal Revenue Service. The city's attorney said the payments are made by his law office, but this arrangement has potentially obligated the city to pay for property that does not belong to the city and has resulted in various taxes related to this transaction not being paid.
Disbursement Procedures	Some disbursements are not properly approved and supported by adequate documentation, and no documentation was maintained to support the allocation of expenses among funds. The city did not always comply with city code bid requirements. For example, the city did not advertise for bids for the purchase of two patrol cars and has not solicited bids for mowing services. The city did not document its evaluation and selection of engineering services for the sewer construction project.
Accounting Controls and Procedures	Accounting duties are not adequately segregated, and adequate independent reviews are not conducted. Receipt slips were not always issued for payments made by check, do not always correctly document the method of payment, and were not always issued in numerical order. Receipts were not always deposited intact or timely or deposited into the proper city bank account. Monies received are not always timely posted to the computer system, and computer system controls are not adequate. The city should consider closing some of its nine bank accounts and evaluate options which might reduce the \$1,800 monthly fee paid to the contracted accountant or result in in-house preparation of monthly reconciliations.
Utility System Controls and Procedures	The Board approved a 5 percent increase in water and sewer rates, but it did not maintain documentation to support the amount of the rate increase. The city has had significant increases in the amount of unbilled water (water loss), including approximately 783,000 gallons in July 2010 (25 percent of the water pumped) and 2.5 million gallons in June 2012 (49 percent of the water pumped), but there is no documented effort by the Board to address the losses. The city does not have a policy regarding partial payments of utility charges, but some customers are allowed to make partial payments without Board approval. For the year ended June 30, 2012, the city paid approximately \$1,800 more than required by contract for trash services, and it paid approximately \$1,500 more than required for the year ended June 30, 2011.
Payroll Procedures	The city does not always follow its personnel policy regarding overtime. Employees do not sign time cards and time cards are not adequately reviewed, resulting in inaccurate payroll calculations for some employees. Five of the seven time cards we reviewed had errors.

Property Tax Controls and Procedures	The city did not comply with various statutory provisions related to property taxes. The City Collector did not prepare monthly and annual reports summarizing the amount of property taxes collected as well as delinquent property taxes and present them to the Board. The City Clerk did not verify the accuracy of the property tax books or charge the City Collector with the amount to be collected. There was no documentation to indicate the Board held a public hearing on the city's proposed property tax levy.
Financial Statements and Budgets	Annual budgets did not contain all required elements. The Board did not adequately monitor budget to actual revenues and expenditures and did not properly amend the budget. For the year ended June 30, 2011, actual disbursements exceeded budgeted amounts by \$81,319 in the city's General Fund, and for the year ended June 30, 2012, unaudited financial statements indicate disbursements in the General and Park/Storm Water Funds exceeded budgeted amounts by approximately \$11,000 each. The city did not publish its financial statements in accordance with state law.
Meetings and Ordinances	The Board did not prepare minutes for some open meetings, and minutes did not always contain some necessary information. Open meetings do not always document a roll call vote to enter into closed session or a specific reason for entering into closed session. Closed meeting minutes were not prepared for five of eleven closed meetings, and some issues discussed in closed meetings were not allowable under the Sunshine Law. Some ordinances have not been properly updated, and some ordinances were not signed and dated to document approval by the Board.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The city was approved to receive Recovery Act loan funds of \$650,000, and on June 21, 2012, the Board of Aldermen approved City Ordinance Number 363 to issue these waterworks and sewerage system bonds.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.